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Financial Statements & Statistics

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University
of Southampton

University of Southampton

Annual Report 1998 - 99

Financial Statements and Statistics

University of Southampton and Subsidiary Undertakings

Financial Statements
for the year ended 31 July 1999

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Treasurer

Godfrey Whitehead, FCA

Director of Finance

Colin R Showell, BCom, CPFA

Deputy Director of Finance

R Allan Spencer, MA, ACA

Investment Advisers

*Lazard Asset Management Limited
21 Moorfields
London EC2P 2HT*

*HSBC Investment Management
HSBC Investment Bank PLC
6 Bevis Marks
London EC3A 7JQ*

Bankers to the University

*HSBC Bank PLC
165 High Street
Southampton SO14 2NZ*

Bankers to Chilworth Manor Limited

*Lloyds Bank PLC
18 High Street
Southampton SO14 2SE*

External Auditors

*PricewaterhouseCoopers
The Quay
30 Channel Way
Ocean Village
Southampton SO14 3QG*

Internal Auditors

*PricewaterhouseCoopers
The Quay
30 Channel Way
Ocean Village
Southampton SO14 3QG*

University of Southampton and Subsidiary Undertakings

Treasurer's Report 1998-1999

Financial Highlights

Consolidated Income and Expenditure Account

	1999 £000	1998 £000	Change %
<i>Funding Council Grants</i>	63.7	59.4	7.4
<i>Academic Fees and Support Grants</i>	34.6	35.0	(1.2)
<i>Research Grants and Contracts</i>	47.4	45.9	3.1
<i>Other Operating Income</i>	38.3	33.2	15.3
<i>Endowment Income and Interest Receivable</i>	2.1	2.6	(19.1)
TOTAL INCOME	186.1	176.1	5.7
SURPLUS FOR THE YEAR	1.6	2.4	
<i>Net Cash Flow from Operating Activities</i>	13.6	10.0	
<i>Net Returns on Investments and Servicing of Finance</i>	(1.0)	(0.6)	
INCREASE IN CASH	7.0	1.6	
<i>Investing activities include investments in new and refurbished academic and residential buildings.</i>			
<i>Total expenditure on Tangible Assets</i>	28.3	28.6	
<i>Net new loan finance raised</i>	15.9	12.0	
<i>Fixed Assets</i>	240.2	218.9	9.8
<i>Endowment Asset Investments</i>	6.8	6.1	10.6
<i>Debtors more than one year</i>	3.3	3.7	(10.3)
<i>Net Current Assets</i>	12.8	17.2	(25.6)
Total Assets Less Current Liabilities	263.1	245.9	7.0
Total Assets Less Liabilities	148.0	142.3	4.0

Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its trading subsidiaries. The most significant subsidiaries are Chilworth Centre Limited, Chilworth Manor Limited and Southampton Innovations Limited. The subsidiaries undertake activities that, for commercial reasons, are more appropriately channelled through a limited company. The subsidiaries covenant taxable profits to the University.

Results for the Year

The University's Consolidated Income, Expenditure and Results for the year to 31 July 1999 are summarised in the Financial Highlights shown above. The overall result was a surplus of £1.6 million. The surplus was closely in line with projections during the latter part of the year, despite significant difficulties for some faculties. The reduction in surplus from the previous year reflects the increasing problems facing all universities in the face of efficiency reductions in government grants and increases in costs.

Treasurer's Report 1998-99

The University's total income increased by 5.7% compared with the previous year. Income from Funding Councils increased by 7.4%, but much of this was simply compensation for the change in the structure of tuition fee payments for first year students introduced during the year. The underlying trend for HEFCE grants is for small annual "efficiency" cuts to continue to be imposed on universities. Income from academic fees fell by 1.2%, also as a result of the new system, but partly offset by considerable growth in fee income from part-time students and income from Health Education teaching contracts with the NHS.

Income from research grants and contracts (£47.4 million) represented 25 % of the University's total income, very closely in line with the previous year, although the University will be looking to increase the contribution from these sources and from consultancy income (£13.0 million) in future years.

Over £17 million was spent on the purchase, hire and repair of equipment, mostly within academic departments, of which some £4 million was capitalised. £5.6 million was spent on general and long-term maintenance of University buildings. Staff costs increased by some £7 million, and represented 54% of total expenditure. The University's staffing costs increased by more than the growth in total income, a situation which cannot be sustained in the longer term.

Investment Performance

The University's equity and fixed interest investments are managed by Lazard Asset Management and HSBC Investment Management. The portfolio's increase in value mirrored the general recovery in the market after the significant falls early in the year. The value of the University's total endowment asset investments increased by 10% to £6.8 million, whilst the market value of quoted shares and securities held for current purposes increased from £13.9 million to £16.0 million.

It is also pleasing to note that the University's investment in the Chilworth Science Park, through its ownership of Chilworth Centre Limited, is now beginning to bear significant dividends, both directly through contributions to

profits, and also through a substantial increase of £3.3 million in the valuation of the park.

Cash Position

The University had a cash inflow of £13.6 million before the use of liquid resources and financing. Payments to acquire tangible assets totalling some £29.8 million were financed mainly by new loans of £17 million and the use of cash balances.

At the Balance Sheet date net cash and general investments amounted to £27.5 million, a similar position to the previous year after account is taken of the funds held last year from the University's Business Expansion Scheme investments which were fully repaid to investors in September.

Capital Projects

The increase of some £17.8 million (8.5%) in consolidated tangible fixed assets reflects the continuing investment in the University's teaching and research accommodation and in general improvements to the academic environment. The new Synthetic Chemistry Building, substantially complete in the previous year, opened in October. Also during the year, new accommodation was completed for the Department of Electronics and Computer Science, as was a major new development to house banks, a bookshop and student flats. Hartley Grove Residences, providing accommodation for over 400 students, were opened in September, and two halls taken over at New College were fully acquired from their previous owners at the end of the year and are reflected in the Balance Sheet.

The development of the Winchester campus has continued, and we were pleased to welcome the Textile Conservation Centre from its previous home in Hampton Court in August 1999, following the construction of attractive new buildings costing £2.3 million which are reflected in the Balance Sheet.

New loans totalling £15.9 million, net of repayments, were taken out to assist the funding of these developments, with use also being made of the University's cash balances.

Treasurer's Report 1998-99

Future Developments

The University remains a vibrant institution, seeking to maintain the highest standards of teaching and research, and has targetted significant efforts towards continuing to reflect its excellence in the next Research Assessment Exercise. In addition, it has committed itself to strategies to widen participation, partly through its investment in University of Southampton New College, but the strategy covers the whole of the University and is not confined to New College.

Capital funds for future infrastructure developments are subject to careful control. The period of rapid expansion of the Highfield campus using the University's own resources, backed up by loan finance, is coming to an end, although some important projects remain to be completed. In addition, bids will be made to national funds, and the University will hope to receive further grants towards development of its infrastructure to match the one recently announced (October 1999) of a grant of £3.6 million from the Joint Infrastructure Fund for the construction of a new Cancer Sciences Building at Southampton General Hospital.

Year 2000

The University takes the issue of the Millennium date change very seriously. The cost of tackling the issue across the whole Group is subsumed within the cost of the normal cycle of replacing hardware and software under the University's information systems strategy. The University has reviewed the impact of the Year 2000 on its systems and business environment. In addition, senior managers conduct regular progress reviews on this issue, taking action as appropriate.

Conclusion

Whilst the University's financial position remains satisfactory, management is conscious that efforts to generate income will need to be increased still further if the ambitions envisaged within its medium term plan are to be realised. Cash from funding council sources is tight and likely to get tighter, which will put pressure on the declared aims of improving the University's academic excellence and physical facilities.

Corporate Governance

Summary of Corporate Governance

The University was established in 1952 by Royal Charter which, together with the Statutes which came into force at the same time, provides the framework for the corporate governance of the institution. The Council is the governing body of the University, and is charged by the Statutes with responsibility for "the management and administration of the whole revenue and property of the University and the conduct of all the affairs of the University". In carrying out its functions, the Council is bound by the terms of the Financial Memorandum with the Higher Education Funding Council for England (HEFCE), which is updated annually, and the acceptance of which is a precondition for the receipt of HEFCE grants. The Senate is the other principal decision-making body prescribed in the Charter and Statutes; it is primarily responsible for coordinating and advancing the academic work of the University.

The Council numbers 37 persons, comprising ex-officio and lay members, and representatives of the academic and other staff, together with two students. The Chair and Vice-Chair of Council are appointed from amongst the lay membership, which always forms a majority on the Council. Whilst the Chancellor is the titular head of the University, the Vice-Chancellor is the University's principal academic and administrative officer, and Accounting Officer. The Treasurer is a lay and non-executive member of the Council whose remit is to advise generally on matters relating to the University economy, and to satisfy him/herself as to the soundness of the University's financial position and the integrity of its financial transactions. The Secretary and Registrar is responsible to Council, through the Vice-Chancellor, for all administrative functions of the University.

The Council meets at least three times a year, and receives reports on the functioning of the University and of its subsidiary companies. Matters specifically reserved for Council decision include the Mission and ongoing strategic direction of the University, and the approval of budgetary allocations and of major new developments. Much of the business of the Council is transacted through the committee

structure. In this structure the Policy and Resources Committee (PRC) - a joint committee with the Senate - performs a pivotal role. PRC is chaired by the Vice-Chancellor, and is responsible for preparing for consideration by Council the annual revenue and capital budgets; for recommending to Council the adoption of the Strategic Plan; for monitoring performance in relation to approved budgets; and for overseeing the execution of financial policies approved by the Council. PRC receives regular advice from two committees whose remit relates respectively to personnel and to estates policy, and also from the University Management Group which has day-to-day oversight of the financial position of the University. Other committees deal with such matters as student and staff welfare, safety and occupational health, the remuneration and promotion of staff, and the assessment of academic and administrative departmental performance.

The Audit Committee meets at least three times a year. Meetings are attended by the External Auditors, to discuss audit findings, and also by the Internal Auditors, to discuss detailed internal audit reports and recommendations for the improvement of the University's systems of financial control, together with management's response and implementation plans. The Committee also considers reports from the Higher Education Funding Council for England relating to the conduct of business and monitors adherence to the regulatory requirements. The Committee reviews the University's annual financial statements together with the accounting policies. Whilst senior executives are in attendance at meetings, they are not members of the Committee, which reserves the right to meet with the External Auditors for independent consultations.

The Nominations Committee is responsible for making recommendations for the filling of vacancies in the lay membership of Council, following internal and external advertisement and reference to the alumni of the University.

The Professorial and Senior Salaries Committee reviews the salaries of senior academic and administrative staff. The lay officers separately review the salary of the Vice-Chancellor.

Corporate Governance

All these committees are formally constituted with terms of reference and comprise lay and academic members, one of whom is in the chair. All members of the Council and of the committees, together with the executive officers, are subject to Standing Orders which inter alia require the maintenance of a Register of Interests; members may not be present at any discussion in which they have a direct or indirect financial interest.

Role of Council in the Preparation of the Financial Statements

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, Council, through the Vice-Chancellor, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Council has, through its committees and officers, ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis has been continued in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may have prescribed;
- ensure that there are appropriate financial and management controls in place to safeguard funds from all sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definition of the responsibilities and delegated authority of heads of academic and administrative departments;
- a medium and short-term planning process, supplemented by detailed annual expenditure and capital budgets;
- regular reviews of academic performance and termly reviews of financial performance and updates of forecasts of outturns;
- clearly defined and formalised requirements for control of expenditure, appointment of staff, investment and borrowing decisions;
- comprehensive Financial Regulations approved by the Audit Committee and Council;
- a professional internal audit service from a major international accountancy firm.

The Audit Committee, on behalf of Council, has reviewed the effectiveness of the systems of internal control. Any such system can, however, only provide reasonable, but not absolute, assurance against financial misstatement or loss.

REPORT OF THE AUDITORS TO THE COUNCIL OF THE UNIVERSITY OF SOUTHAMPTON

We have audited the financial statements on pages 9 to 30 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 12 to 13.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

The Council is responsible for preparing the Annual Report, including as described on page 7 the financial statements. Our responsibilities as independent auditors, are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Higher Education Institutions. We also report to you whether, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied only for the purposes for which they were received, and whether income has been applied in accordance with the University's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England and with the Funding Agreement with the Teacher Training Agency.

We also report to you if, in our opinion the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Treasurer's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF OPINION


We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- (a) the financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 1999, of their surplus of income over expenditure and of the group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Higher Education Institutions;
- (b) in all material respects, income from the Higher Education Funding Council for England, the Further Education Funding Council for England and the Teacher Training Agency, and grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- (c) income has been applied in accordance with the University's Statutes and where appropriate with the financial memorandum dated July 1997 with the Higher Education Funding Council for England and with the Funding Agreement dated December 1997 with the Teacher Training Agency.

PRICEWATERHOUSECOOPERS 

Chartered Accountants
and Registered Auditors

Southampton
14 December 1999

University of Southampton and Subsidiary Undertakings

Income and Expenditure Accounts for the year ended 31 July 1999

		Consolidated		University	
	Notes	1999 £000	1998 £000	1999 £000	1998 £000
INCOME					
Funding Council grants	2	63,719	59,326	63,719	59,326
Academic fees and support grants	3	34,615	35,026	34,615	35,026
Research grants and contracts	4	47,372	45,928	47,372	45,928
Other operating income	5	38,304	33,212	34,912	30,653
Endowment income and interest receivable	6	2,115	2,615	2,076	2,588
Total income		186,125	176,107	182,694	173,521
EXPENDITURE					
Staff costs	7	100,401	93,325	99,863	93,182
Depreciation	11	10,598	8,954	10,308	8,672
Other operating expenses	8	70,043	67,695	69,050	66,313
Interest payable	9	3,359	3,617	3,062	3,407
Total expenditure	10	184,401	173,591	182,283	171,574
Surplus after depreciation of assets at valuation and before minority interest		1,724	2,516	411	1,947
Minority interest		(122)	(94)	—	—
Surplus attributable to the University		1,602	2,422	411	1,947

Note of Historical Cost Surpluses and Deficits for the year ended 31 July 1999

	Note	Consolidated		University	
		1999 £000	1998 £000	1999 £000	1998 £000
Surplus after depreciation of assets at valuation and minority interest		1,602	2,422	411	1,947
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	21	2,251	2,017	2,251	2,017
Historical cost surplus after minority interest		3,853	4,439	2,662	3,964

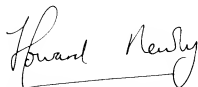
The notes on pages 12 to 30 form part of these accounts

University of Southampton and Subsidiary Undertakings

Balance Sheets as at 31 July 1999

	Notes	Consolidated		University	
		1999 £000	1998 £000	1999 £000	1998 £000
FIXED ASSETS					
Tangible assets	11	226,836	209,040	222,353	204,538
Investments	12	13,362	9,817	240	215
		<u>240,198</u>	<u>218,857</u>	<u>222,593</u>	<u>204,753</u>
ENDOWMENT ASSET INVESTMENTS	13	6,797	6,143	6,797	6,143
DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR	14	3,304	3,682	15,341	16,647
CURRENT ASSETS	15	51,478	69,488	50,630	70,730
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(38,662)	(52,268)	(40,303)	(54,136)
NET CURRENT ASSETS		<u>12,816</u>	<u>17,220</u>	<u>10,327</u>	<u>16,594</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>263,115</u>	<u>245,902</u>	<u>255,058</u>	<u>244,137</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(65,076)	(51,564)	(65,539)	(53,632)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(3,495)	(5,434)	(3,132)	(5,110)
TOTAL ASSETS LESS LIABILITIES		<u>194,544</u>	<u>188,904</u>	<u>186,387</u>	<u>185,395</u>
DEFERRED CAPITAL GRANTS	19	(46,557)	(46,639)	(46,557)	(46,639)
TOTAL NET ASSETS		<u>147,987</u>	<u>142,265</u>	<u>139,830</u>	<u>138,756</u>
Represented by:					
ENDOWMENTS					
Specific	20	4,244	3,853	4,244	3,853
General	20	2,553	2,290	2,553	2,290
		<u>6,797</u>	<u>6,143</u>	<u>6,797</u>	<u>6,143</u>
RESERVES					
Revaluation reserve	21	85,093	84,009	78,966	81,217
Income and Expenditure account	22	56,097	52,113	54,067	51,396
		<u>141,190</u>	<u>136,122</u>	<u>133,033</u>	<u>132,613</u>
TOTAL FUNDS		<u>147,987</u>	<u>142,265</u>	<u>139,830</u>	<u>138,756</u>

The financial statements on pages 9 to 30 were approved by the Council on 14 December 1999, and signed on its behalf by:



Vice-Chancellor
(Chair of Policy and Resources Committee)



Treasurer



Director of Finance

University of Southampton and Subsidiary Undertakings

Consolidated Cashflow Statement for the year ended 31 July 1999

	Notes	1999 £000	1998 £000
Net cash inflow from operating activities	28	13,566	10,030
Returns on investments and servicing of finance	29	(1,049)	(589)
Capital expenditure and financial investment	30	(29,435)	(20,955)
Cash outflow before use of liquid resources and financing		(16,918)	(11,514)
Management of liquid resources		8,003	1,101
Net financing		15,945	11,966
Increase in cash		7,030	1,553

Reconciliation of Net Cash Flow to Movement in Net Debt

		1999 £000	1998 £000
Increase in cash in the period		7,030	1,553
(Decrease)/increase in investments	15	(26,172)	16,001
New loans and debt movement	31	1,247	(15,915)
Repayment of debt	31	1,108	1,288
Change in net debt		(16,787)	2,927
Net debt at 1 August	32	(18,733)	(21,660)
Net debt at 31 July	32	(35,520)	(18,733)

Statements of Total Recognised Gains and Losses for the year ended 31 July 1999

	Notes	Consolidated		University	
		1999 £000	1998 £000	1999 £000	1998 £000
Surplus after depreciation of assets at valuation		1,724	2,516	411	1,947
Unrealised surplus/(deficit) on endowment asset investments	20	270	(3)	270	(3)
Realised gains on endowment asset investments		11	460	11	460
Endowment income retained for year	20	115	107	115	107
New endowments	20	90	201	90	201
Textile Conservation Centre (TCC)	22	(73)	—	(73)	—
TCC specific donation for capital funds		250	—	250	—
Goodwill written off on acquisition of La Sainte Union College of Higher Education		—	(1,159)	—	(1,159)
Unrealised surplus on revaluation of Chilworth Science Park	21	3,335	400	—	—
Donated asset	21	—	120	—	120
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		5,722	2,642	1,074	1,673

The notes on pages 12 to 30 form part of these accounts

Notes to the Financial Statements for the year ended 31 July 1999

I. Statement of principal accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and certain land and buildings in accordance with both the Statement of Recommended Practice: Accounting in Higher Education Institutions (SORP) and applicable accounting standards.

(b) Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and all its subsidiary undertakings.

The consolidated financial statements do not include those of the University of Southampton Students' Union as it is a separate entity over which the University does not exercise control or significant influence over policy decisions.

All income for the year relates to continuing activities.

(c) Recognition of income

Government basic and other recurrent grants are included in the year to which they relate. Specific grants are brought into income to the extent of expenditure in the year.

Income from specific endowments and donations, research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs.

Income from short-term investments, deposits and general endowment asset investments is accrued up to the balance sheet date.

Income from other external contracts, consultancy and services rendered is credited to the income and expenditure account to the extent of amounts invoiced during the year.

(d) Pension schemes

Pensions are provided by means of funded defined benefit schemes and annual contributions are based on actuarial advice. The expected cost of providing pensions is recognised on a systematic and rational basis over the expected average remaining service life of members of the schemes.

(e) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the mid-term. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

(f) Leases

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding. Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

(g) Land and buildings

Expenditure on land and buildings is capitalised. Depreciation is charged on the following bases:

- (i) Buildings acquired after 1 August 1989 - on a straight line basis over 50 years, with the exception of certain special purpose buildings with shorter useful lives.
- (ii) Buildings acquired before 1 August 1989 - on a straight line basis over 30 years commencing in August 1989.

Notes to the Financial Statements for the year ended 31 July 1999

I. Statement of principal accounting policies (continued)

- (iii) One leasehold building held by a subsidiary undertaking - on a straight line basis over 99 years being the term of the lease.

In accordance with SSAP4 grants received from Exchequer sources are held as deferred income and released to the income and expenditure account over the estimated life of the asset.

Buildings owned by the University are revalued every five years. The most recent revaluation took place on 31 July 1995. The University has incorporated the buildings previously owned by the Winchester School of Art which were revalued on 30 November 1994.

Investment properties, which include the Chilworth Science Park, are accounted for at market value. Properties are revalued annually and any surplus or deficit arising is taken to a revaluation reserve in general funds.

(h) Equipment

Equipment purchased by the University and costing less than £20,000 per individual item or group of related items is written off in the year of acquisition. Equipment costing over £20,000 and all equipment held by the subsidiary undertakings is capitalised.

Equipment capitalised by the University is stated at cost and depreciated over three years. Capitalised furniture and equipment held by subsidiary undertakings is depreciated over periods not exceeding 10 years.

Depreciation is charged to the income and expenditure account on a straight line basis.

(i) Investments

Endowment asset investments are included in the balance sheet at market value.

Current asset investments are included at the lower of cost and net realisable value.

(j) Stocks

Catering, trading and centrally held stocks are stated at the lower of cost and net realisable value. Stocks held by teaching and research departments are excluded from the balance sheet, this expenditure being charged to the income and expenditure account when incurred.

(k) Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

(l) Goodwill

Goodwill arising on consolidation and acquisitions until 1998 was written off directly to reserves. Following the implementation of FRS 10, any future goodwill on consolidation will be capitalised in the Balance Sheet and amortised over its useful economic life.

(m) Maintenance Provisions

There is a substantial backlog of long term maintenance and the University has a strategy for reducing this backlog. In line with FRS 12 the University charges long term maintenance costs to the income and expenditure account as they are incurred. The effect of the change in accounting policy is not considered material. Prior year figures are therefore not restated.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

2. Funding Council Grants	Consolidated and University	
	1999 £000	1998 £000
<i>Recurrent grants:</i>		
Higher Education Funding Council for England (HEFCE)	58,604	53,658
Teacher Training Agency	1,514	896
Further Education Funding Council	42	299
<i>Specific grants:</i>		
Information services	185	331
Other	1,834	2,557
Net Deferred Capital Grants released in year (note 19)	1,540	1,585
	<u>63,719</u>	<u>59,326</u>

In 1998/99 the Government changed the system of payment for student tuition fees. This reduced the income receivable from tuition fees (note 3 below) but there were compensating adjustments in HEFCE grants, shown above.

3. Academic fees and support grants	1999 £000	
	1999 £000	1998 £000
Full-time home/EU students	19,936	22,138
Full-time overseas students	6,405	6,694
Part-time students	5,781	3,646
Research training support grants	925	847
Special and short course fees	1,568	1,701
	<u>34,615</u>	<u>35,026</u>

During 1999 £5.247 million of full time and part time tuition fees have been introduced to the group accounts via a subsidiary undertaking.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

4. Research grants and contracts

Consolidated and University

	1999 £000	1998 £000
<i>INCOME</i>		
Research councils	18,820	17,097
UK based charities	6,727	6,237
UK Central Government/local authorities/ health authorities and hospitals	7,105	6,917
UK public corporations/industry and commerce	6,134	7,184
EU Government	4,194	4,316
EU other sources	1,103	1,100
Other overseas sources	3,057	2,931
Other sources	232	146
	<u>47,372</u>	<u>45,928</u>
 <i>EXPENDITURE – DIRECT COSTS</i>		
Salaries and wages	22,387	21,852
Equipment	3,210	3,358
Depreciation	1,808	1,538
Other costs	12,300	11,262
(note 10)	<u>39,705</u>	<u>38,010</u>
 Contribution to indirect costs	<u>7,667</u>	<u>7,918</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

5. Other operating income	1999 £000	1998 £000
<i>University:</i>		
Residences, catering and conferences	12,829	11,081
Consultancies, trading and services rendered	13,012	13,337
Health authorities	1,167	816
Other income	7,904	5,419
	<u>34,912</u>	<u>30,653</u>
<i>Subsidiaries:</i>		
Other income	6,738	6,562
<i>Less intra group transactions</i>	<u>(3,346)</u>	<u>(4,003)</u>
	<u>38,304</u>	<u>33,212</u>
 6. Endowment income and interest receivable	 1999 £000	 1998 £000
<i>University:</i>		
Transferred from specific endowments (note 20)	144	135
Income from general endowment asset investments (note 20)	253	140
Income from short term deposits and investments	1,679	2,313
	<u>2,076</u>	<u>2,588</u>
<i>Subsidiaries:</i>		
Other interest receivable	358	481
<i>Less inter company transactions</i>	<u>(319)</u>	<u>(454)</u>
	<u>2,115</u>	<u>2,615</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

7. Staff	Consolidated		University	
	1999	1998	1999	1998
	£000	£000	£000	£000
Staff costs:				
Salaries and wages	84,628	78,635	84,138	78,501
Social Security costs	6,585	6,168	6,551	6,159
Other pension costs	9,188	8,522	9,174	8,522
	<u>100,401</u>	<u>93,325</u>	<u>99,863</u>	<u>93,182</u>
	1999	1998	1999	1998
	Number	Number	Number	Number
Average staff numbers by major category inclusive of part-time appointments				
Academic/clinical/research	1,668	1,627	1,668	1,627
Administrative and academic support	701	613	691	612
Technical	372	364	372	364
Other (including clerical and manual)	1,714	1,664	1,637	1,662
	<u>4,455</u>	<u>4,268</u>	<u>4,368</u>	<u>4,265</u>
			1999	1998
			£000	£000

Emoluments of the Vice-Chancellor

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The emoluments of the Vice-Chancellor are shown on the same basis as those for higher paid staff. The University's pension contributions to Universities Superannuation Scheme Limited (USS) amounted to £15,941 (1998: £22,774 which includes a sum in respect of previous years).

Higher Paid Staff:

Remuneration of higher paid staff, excluding employer's pension contributions, but including NHS distinction awards where appropriate:

	Consolidated and University	
	1999	1998
	Number	Number
£50,000 – £59,999	59	41
£60,000 – £69,999	18	13
£70,000 – £79,999	7	9
£80,000 – £89,999	8	2
£90,000 – £99,999	1	3
£100,000 – £109,999	7	3
£110,000 – £119,999	3	4

Enhanced Pension Benefits:

Payments by the University on behalf of four staff (1998: two) earning in excess of £50,000 per annum:

	1999	1998
	£000	£000
Payment to USS for enhanced pension benefits	131	190

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

8. Other operating expenses

	1999	1998
	£000	£000
<i>University:</i>		
Non capitalised equipment	13,520	11,747
Consumables and laboratory expenditure	7,769	7,364
Administrative and central costs	8,138	7,750
Residences, catering and conferences operating expenses	6,959	6,033
Travel costs	4,781	4,814
Repairs and maintenance	5,574	8,600
Heat, light, water and power	2,240	2,584
Books and periodicals	2,217	1,832
Fellowships, scholarships and prizes	3,404	2,946
Rents	2,658	1,909
Grant to Students' Union	1,037	964
External auditors' remuneration	18	14
Auditors' remuneration in respect of other services	71	—
Other expenses	10,664	9,756
	<u>69,050</u>	<u>66,313</u>
<i>Subsidiaries:</i>		
Administrative and other expenses	9,615	4,886
Less intra group transactions	(8,622)	(3,504)
	<u>70,043</u>	<u>67,695</u>

9. Interest payable

	Consolidated		University	
	1999	1998	1999	1998
	£000	£000	£000	£000
Loans not wholly repayable within five years	3,306	3,467	3,009	3,257
Loans wholly repayable within five years	16	119	16	119
Finance leases	37	31	37	31
	<u>3,359</u>	<u>3,617</u>	<u>3,062</u>	<u>3,407</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

10. Analysis of 1999 expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £000
<i>University:</i>					
<i>Academic departments</i>	53,209	820	12,262	—	66,291
<i>Academic services</i>	5,525	227	4,139	—	9,891
<i>Research grants and contracts (note 4)</i>	22,387	1,808	15,510	—	39,705
<i>Residences, catering and conferences</i>	3,034	21	6,959	867	10,881
<i>Premises</i>	3,706	6,927	12,508	—	23,141
<i>Administration and central services</i>	5,433	36	4,159	—	9,628
<i>Other activities</i>	6,569	469	13,513	2,195	22,746
	<u>99,863</u>	<u>10,308</u>	<u>69,050</u>	<u>3,062</u>	<u>182,283</u>
<i>Subsidiaries:</i>					
<i>Expenditure</i>	538	290	9,615	616	11,059
<i>Less intra group transactions</i>	—	—	(8,622)	(319)	(8,941)
	<u>100,401</u>	<u>10,598</u>	<u>70,043</u>	<u>3,359</u>	<u>184,401</u>

The depreciation charge has been funded by:

<i>Deferred Capital Grants released (note 19)</i>	1,540
<i>General income</i>	9,058
	<u>10,598</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

11. Tangible assets

	Consolidated					University				
	Land and buildings		Assets in	Furniture	Total	Land and buildings		Assets in	Equipment	Total
	Completed Freehold £000	Completed Leasehold £000	course of construction £000	fixtures and equipment £000		Completed Freehold £000	Completed Leasehold £000	course of construction £000		
<i>Valuation/cost</i>										
<i>At 1 August 1998</i>										
<i>University Group</i>										
<i>valuation</i>	149,637	–	–	–	149,637	149,637	–	–	–	149,637
<i>cost</i>	32,640	17,239	23,226	14,399	87,504	32,640	12,700	23,215	12,235	80,790
<i>TCC cost</i>	–	–	–	200	200	–	–	–	200	200
<i>Additions at cost</i>	19,789	201	4,188	4,171	28,349	19,789	109	4,035	4,145	28,078
<i>Transfers at cost</i>	21,617	–	(21,617)	–	–	21,617	–	(21,617)	–	–
<i>Disposals at cost</i>	(136)	–	–	–	(136)	(136)	–	–	–	(136)
<i>Assets written down at valuation</i>	(494)	–	–	–	(494)	(494)	–	–	–	(494)
<i>Assets written down at cost</i>	(198)	–	–	–	(198)	(198)	–	–	–	(198)
<i>At 31 July 1999</i>										
<i>valuation</i>	149,143	–	–	–	149,143	149,143	–	–	–	149,143
<i>cost</i>	73,712	17,440	5,797	18,770	115,719	73,712	12,809	5,633	16,580	108,734
<i>Depreciation</i>										
<i>At 1 August 1998</i>										
<i>University Group</i>	(16,291)	(1,357)	–	(10,453)	(28,101)	(16,291)	(762)	–	(8,836)	(25,889)
<i>TCC</i>	–	–	–	(155)	(155)	–	–	–	(155)	(155)
<i>Charge for year</i>	(5,828)	(333)	–	(3,674)	(9,835)	(5,828)	(256)	–	(3,461)	(9,545)
<i>Eliminated on disposal</i>	3	–	–	–	3	3	–	–	–	3
<i>Assets written down</i>	62	–	–	–	62	62	–	–	–	62
<i>At 31 July 1999</i>	(22,054)	(1,690)	–	(14,282)	(38,026)	(22,054)	(1,018)	–	(12,452)	(35,524)
<i>Net book value</i>										
<i>At 31 July 1999</i>	200,801	15,750	5,797	4,488	226,836	200,801	11,791	5,633	4,128	222,353
<i>At 1 August 1998</i>	165,986	15,882	23,226	3,946	209,040	165,986	11,938	23,215	3,399	204,538

Included in freehold land and buildings is expenditure of £7,027,000 funded by the HEFCE and its predecessors, in respect of clinical land and buildings in National Health Service ownership.

The University has incurred expenditure of £12,700,000 for the Southampton Oceanography Centre, funded by the HEFCE in respect of buildings constructed by the Natural Environment Research Council.

Included in the cost of buildings held by subsidiary undertakings is interest capitalised amounting to £488,000 (1998: £488,000).

Land and buildings held by the University were revalued at 31 July 1995, by Chesterton plc. The basis of valuation was in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Where appropriate assets were valued at their open market value for existing use but specialised buildings, where open market value was not readily available, were valued at depreciated replacement cost.

In addition to the above expenditure on tangible assets a further £9,891,000 has been committed by the University (note 24).

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

12. Fixed asset investments	Consolidated		University	
	1999	1998	1999	1998
	£000	£000	£000	£000
Investment in subsidiary undertakings at cost	—	—	150	125
Other investments	327	117	90	90
Chilworth Science Park	13,035	9,700	—	—
	<u>13,362</u>	<u>9,817</u>	<u>240</u>	<u>215</u>

The University group structure, where all the companies held are registered in England and Wales, is as follows:

	Percentage holding	Nature of activity
<i>Held by the University</i>		
Marinetech South Limited	25.00	Research innovation
Photonic Innovations Limited (PI Limited)	50.00	Optoelectronics
Southampton Student Halls I Limited	100.00	Property management
Southampton Student Halls II Limited	100.00	Property management
Southampton Student Halls III Limited	100.00	Property management
Southampton Student Halls IV Limited	100.00	Property management
Southampton University Services Limited	50.00 *	Educational services
University of Southampton Holdings Limited (USH Limited)	100.00	Holding company
Winchester School of Art Enterprises Limited	100.00	Publications
<i>Investments held by USH Limited</i>		
Chilworth Centre Limited	100.00	Science park management
Chilworth Manor Limited	75.01	Residential conference centre
Concurrent Computation Company Limited	14.00	Management services
Henry Robinson Hartley Limited	100.00	Estate management
SOCeanic Limited	100.00	Commercial contract management
Southampton Innovations Limited (SI Limited)	100.00	Innovation and patents
Southampton Residences Limited	100.00	Property management services
Southampton University Services Limited	50.00 *	Educational services
<i>Investments held by SI Limited</i>		
Biopraxis Limited	11.19	Research innovation
Exosect Limited	33.29	Insect destruction
Multicosm Limited	5.48	Software development
Photonic Innovations Limited (PI Limited)	50.00	Optoelectronics
Thermotic Developments Limited	9.80	Research innovation
Kymata Limited	2.52	Telecommunications
<i>Investments held by PI Limited</i>		
Southampton Photonics Limited	15.24	Optical fibre technology

* Company limited by guarantee, maximum liability £1

Chilworth Science Park has been included on the basis of freehold open market value for existing use as at 31 July 1999 as determined by Vail Williams, in accordance with the Statements of Asset Valuation Practice and Guidance Notes by the RICS. The market value of the science park increased by £3,335,000 during the year. The historical and net book value of these assets at 31 July 1999 amounted to £6,589,000 (1998: £6,589,000) which included interest capitalised amounting to £275,000 (1998: £275,000).

In September 1998 the University acquired the shares of Southampton Student Halls I plc (cost £4,880,000); Southampton Student Halls IV plc (cost £3,660,000); Southampton Student Halls II plc (cost £4,880,000) and Southampton Student Halls III plc (cost £4,880,000). The companies have been converted to private companies wholly owned by the University.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

13. Endowment asset investments	Consolidated and University	
	1999 £000	1998 £000
<i>Balance at 1 August</i>	6,143	5,313
<i>Additions</i>	1,164	4,716
<i>Disposals</i>	(780)	(3,883)
<i>Appreciation/(depreciation) on valuation for year</i>	270	(3)
<i>Balance at 31 July</i>	6,797	6,143
<i>Represented by:</i>		
<i>Fixed interest stocks</i>	694	750
<i>Equities</i>	158	136
<i>Unit trusts and managed funds</i>	4,587	4,174
<i>Total stocks, equities and managed funds at market value</i>	5,439	5,060
<i>Short term deposits</i>	1,332	1,049
<i>Cash balances</i>	26	34
<i>Total</i>	6,797	6,143
<i>Total stocks, equities and managed funds at cost</i>	4,985	4,836

14. Long term debtors and prepayments	Consolidated		University	
	1999 £000	1998 £000	1999 £000	1998 £000
<i>Amounts owed by subsidiary undertakings</i>	—	—	1,147	355
<i>Prepayments to subsidiary undertakings</i>	—	—	10,890	12,610
<i>Other prepayments</i>	3,304	3,682	3,304	3,682
	3,304	3,682	15,341	16,647

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

15. Current assets	Consolidated		University	
	1999 £000	1998 £000	1999 £000	1998 £000
Stock	292	323	265	297
Debtors and Prepayments:				
Grants from HEFCE	819	659	819	659
Trade debtors	5,042	5,213	4,195	5,232
Tuition fees	977	1,795	977	1,795
Research grants and contracts	12,845	10,630	12,845	10,630
Prepayment to group undertakings	—	—	2,956	2,923
Other prepayments	1,061	1,019	970	968
Other debtors	2,937	3,202	3,734	3,898
	23,681	22,518	26,496	26,105
Investments	13,073	39,245	13,073	39,245
Cash at bank and on deposit	14,432	7,402	10,796	5,083
	<u>51,478</u>	<u>69,488</u>	<u>50,630</u>	<u>70,730</u>

Investments are represented by:

	1999 £000	1998 £000
Investments to support Business Expansion Scheme	—	18,169
Quoted shares and securities *	11,958	11,436
Cash deposits at banks and building societies (maturity date after 1 August)	1,115	9,640
	<u>13,073</u>	<u>39,245</u>
	<u>16,016</u>	<u>13,929</u>

* Market value of quoted shares and securities

16. Creditors: amounts falling due within one year	Consolidated		University	
	1999 £000	1998 £000	1999 £000	1998 £000
HEFCE specific grant	75	—	75	—
Advance income on research	12,685	10,321	12,685	10,321
Social Security and other taxation	3,871	3,359	3,409	3,197
Amounts owed to group undertakings	—	—	3,656	3,337
Business Expansion Scheme	—	18,169	—	18,169
Trade and other creditors	12,259	9,833	11,313	9,029
Accruals and deferred income	9,772	10,586	9,165	10,083
	<u>38,662</u>	<u>52,268</u>	<u>40,303</u>	<u>54,136</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

17. Creditors: amounts falling due after more than one year	Consolidated		University	
	1999 £000	1998 £000	1999 £000	1998 £000
Bank loans	58,037	42,978	48,676	33,322
Finance leases	109	168	109	168
Amounts owed to group undertakings	—	—	10,834	12,519
Other creditors	2,984	2,937	2,303	2,474
Accruals and deferred income	3,946	5,481	3,617	5,149
	<u>65,076</u>	<u>51,564</u>	<u>65,539</u>	<u>53,632</u>

Amounts repayable after more than one year in respect of bank loans outstanding as at 31 July 1999, may be analysed as follows:

Lender	Date loan obtained	Final repayment date	Interest rate	Balance outstanding 1999 £000	Balance outstanding 1998 £000
<i>University:</i>					
Lloyds Bank *	1985	2012	fixed	535	571
Midland Bank *	1993	2018	variable	8,926	9,212
Midland Bank *	1995	2015	variable	2,076	2,150
National Westminster Bank	1996	2016	fixed	9,380	9,473
Yorkshire Bank	1997	2018	fixed/variable	11,529	11,916
Yorkshire Bank	1999	2019	fixed/variable	9,992	—
National Westminster Bank *	1999	2019	fixed/variable	6,238	—
				<u>48,676</u>	<u>33,322</u>
<i>Subsidiaries:</i>					
Lloyds Bank *	1995	2014	variable	4,658	4,778
Midland Bank *	1996	2011	variable	4,703	4,878
				<u>58,037</u>	<u>42,978</u>

* Loans secured on specific assets.

The University does not guarantee the borrowings of any subsidiary undertaking.

18. Provisions for liabilities and charges

	Consolidated			University		
	Maintenance £000	Pensions £000	Total £000	Maintenance £000	Pensions £000	Total £000
At 1 August 1998	2,720	2,714	5,434	2,396	2,714	5,110
Utilised during year	(2,461)	(1,624)	(4,085)	(2,396)	(1,624)	(4,020)
Net transfer from Income and Expenditure account	104	2,042	2,146	—	2,042	2,042
At 31 July 1999	<u>363</u>	<u>3,132</u>	<u>3,495</u>	<u>—</u>	<u>3,132</u>	<u>3,132</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

19. Deferred capital grants

	Consolidated and University		
	Funding Council £000	Other grants £000	Total £000
<i>At 1 August 1998</i>			
Buildings	45,740	689	46,429
Equipment	210	—	210
Total	45,950	689	46,639
<i>Amounts received</i>			
Buildings	1,349	109	1,458
Total	1,349	109	1,458
<i>Transfer (to)/from Income and Expenditure Account</i>			
Buildings (note 2)	(1,537)	(35)	(1,572)
Equipment (note 2)	32	—	32
Total (note 10)	(1,505)	(35)	(1,540)
<i>At 31 July 1999</i>			
Buildings	45,552	763	46,315
Equipment	242	—	242
Total	45,794	763	46,557

	Consolidated and University		
	Specific £000	General £000	Total £000
<i>At 1 August 1998</i>	3,853	2,290	6,143
Additions	90	—	90
Unrealised appreciation of endowment asset investments	179	91	270
Realised gains from sales in year	7	4	11
Income for year	259	253	512
Transferred to Income and Expenditure account	(144)	(253)	(397)
Appropriated from Income and Expenditure account	—	168	168
<i>At 31 July 1999</i>	4,244	2,553	6,797
<i>Representing:</i>			
Fellowships and scholarship funds	1,429	—	1,429
Prize funds	449	—	449
Chairs and lectureships funds	1,358	—	1,358
Other funds	1,008	2,553	3,561
	4,244	2,553	6,797

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

21. Revaluation Reserve	Consolidated		University	
	1999 £000	1998 £000	1999 £000	1998 £000
<i>Revaluations</i>				
At 1 August	90,718	90,198	87,926	87,806
Revaluation in year of Chilworth Science Park	3,335	400	—	—
Donated asset	—	120	—	120
At 31 July	<u>94,053</u>	<u>90,718</u>	<u>87,926</u>	<u>87,926</u>
<i>Contribution to depreciation</i>				
At 1 August	6,709	4,692	6,709	4,692
Released in year	2,251	2,017	2,251	2,017
At 31 July	<u>8,960</u>	<u>6,709</u>	<u>8,960</u>	<u>6,709</u>
Net revaluation amount	<u>85,093</u>	<u>84,009</u>	<u>78,966</u>	<u>81,217</u>
22. Reconciliation of Income and Expenditure Accounts	Consolidated		University	
	£000		£000	
Balance at 1 August 1998	52,113		51,396	
University group				
Textile Conservation Centre	(73)		(73)	
	<u>52,040</u>		<u>51,323</u>	
Surplus in year after depreciation of assets at valuation but before minority interest	1,724		411	
Release from revaluation reserve (note 21)	2,251		2,251	
Specific donation for capital assets	250		250	
Transfer to general endowments (note 20)	(168)		(168)	
Balance at 31 July 1999	<u>56,097</u>		<u>54,067</u>	
Represented by:				
Allocated to University departments	26,401		26,401	
Centrally controlled	29,696		27,666	
	<u>56,097</u>		<u>54,067</u>	

The above reserves have arisen from accumulated annual surpluses. A total of £43,227,000 (1998 : £40,330,000) has been applied to finance capital developments.

The Textile Conservation Centre, based at Hampton Court, joined the University on 1 August 1998, bringing in a negative reserve of £73,000. It moved to the University's Winchester Campus on 1 August 1999.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

	Consolidated and University	
	1999 £000	1998 £000
23. Lease obligations		
<i>Obligations under finance leases fall due as follows:</i>		
<i>Between two and five years</i>	124	188
<i>Within one year</i>	74	80
<i>Less future finance charges</i>	(30)	(40)
	<u>168</u>	<u>228</u>
24. Capital commitments		
	1999 £000	1998 £000
<i>University:</i>		
<i>Commitments contracted</i>	9,891	10,208
<i>Authorised but not contracted</i>	8,350	1,500
	<u>18,241</u>	<u>11,708</u>
<i>Subsidiaries:</i>		
<i>Authorised but not contracted</i>	33	—
	<u>18,274</u>	<u>11,708</u>
	1999 £000	1998 £000
<i>Contracted commitments</i>		
<i>Nursing Building</i>	4,704	—
<i>Chemistry Refurbishment</i>	2,500	—
<i>Glen Eyre Old Hall</i>	2,205	—
<i>Synthetic Chemistry Building</i>	210	2,575
<i>Hartley Grove Residences</i>	—	2,418
<i>Commercial Services Building</i>	36	1,690
<i>Textile Conservation Centre</i>	163	1,288
<i>Main Site Enhancements</i>	—	1,076
<i>Electronics and Computer Science Building</i>	53	565
<i>Winchester Campus Phase IV</i>	20	458
<i>Avenue Campus</i>	—	115
<i>Southampton Oceanography Centre Store</i>	—	23
	<u>9,891</u>	<u>10,208</u>

25. Liability insurance

The University of Southampton has effected insurance cover in respect of liability for all members and officers who participate in the management of the University and its subsidiary undertakings.

26. Related party transactions

The University has complied with the Financial Reporting Standard on related party transactions and there are no transactions to report.

Notes to the Financial Statements for the year ended 31 July 1999

27. University pension schemes

The University participates in the Universities Superannuation Scheme, (USS), in respect of the majority of academic and academically-related staff. The Scheme provides benefits based on final pensionable salary for employees of all UK universities and some other employers and is contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate, trustee-administered fund.

In addition, the University contributes to a self-administered pension and assurance scheme for non academic staff (PASNAS). The scheme is a defined benefit scheme, funded by contributions made in accordance with the recommendations of the scheme's actuaries.

The actuaries' recommendations for contributions to both schemes are based on triennial valuations of the schemes' liabilities. In the intervening years, the actuaries review the progress of the schemes. Pension costs are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. Unless it is considered prudent to recognise deficiencies over a shorter period, variations from regular cost are spread over the expected average working lifetime of members of the schemes, after making suitable allowances for future withdrawals. The latest valuations of the schemes for which results are available and the significant assumptions applied were:

	USS	PASNAS
Valuation date	31 March 1996	1 August 1998
Market value of assets	£12,087 million	£70 million
Investment return	8.5% p.a.	9.0% p.a.
Increase in salaries	6.5% p.a.	7.0% p.a.
Increase in pensions	5.0% p.a.	5.0% p.a.
Pension cost (calculated as a percentage of total salaries)		
Regular cost	14.6%	18.4%
Variation from regular cost	(0.6%)	(2.7%)
Total pension cost	14.0%	15.7%

USS

At the last actuarial valuation of the scheme on 31 March 1996 the actuarial value of the assets was sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The pension cost has been calculated using the projected unit method and the assumptions shown above. The total pension cost was £7,495,000 (1998: £6,905,000).

The variation from regular cost has been calculated so as to extinguish the past service shortfall over 5 years. The University paid contributions at the rate of 14.00% of total salaries for the year.

PASNAS

The valuation on the 1 August 1998 indicated that the scheme's assets represented 117% of the benefits that had accrued to members after allowing for expected increases in earnings. A surplus of £7 million remains and this will be amortised over the future.

It was recommended that the University continue taking a contribution holiday until the next valuation on 1 August 2001.

Following consideration of the 1998 valuation, a recalculation of the provision shown in the accounts in accordance with SSAP 24 indicated that the provision should be released back to the income and expenditure account. A sum of £538,460 has been released this year thereby reducing the expenditure headings from which the provision had originally been made in earlier years.

FEDERATED SUPERANNUATION SCHEME FOR UNIVERSITIES (FSSU)

The University maintains records for former members of FSSU. No new members have been admitted to the scheme which was based on fixed pensions. These pensions are supplemented by the University on an ex gratia basis from general income approximately in line with increases in other pensions which have an annual inflation element built in. During the year a total of £130,000 (1998 : £119,200) was paid to former members of FSSU or widows of members in respect of these unfunded liabilities.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

28. Reconciliation of consolidated operating surplus to net cash from operating activities

	1999 £000	1998 £000
Surplus before minority interest	1,724	2,416
Depreciation	10,598	8,954
(Profit)/loss on disposal of tangible fixed asset	(27)	29
Deferred capital grants released to income	(1,540)	(1,585)
Investment income	(2,115)	(2,615)
Interest payable	3,359	3,617
Profit received on sale of endowments	(11)	(460)
Decrease in stock	31	3
Increase in debtors	(114)	(1,312)
Increase/(decrease) in creditors and accruals	3,600	(803)
(Decrease)/increase in provisions	(1,939)	1,786
Net cash inflow from operating activities	13,566	10,030

29. Returns on investments and servicing of finance

	1999 £000	1998 £000
Income from endowments	512	382
Income from short term deposits and investments	1,755	2,533
Other interest received	40	27
Interest paid	(3,356)	(3,531)
	(1,049)	(589)

30. Capital investment and financial investment

	1999 £000	1998 £000
Tangible assets acquired	(29,843)	(21,448)
Fixed asset investments acquired	(407)	(26)
Endowment asset investments acquired (note 13)	(1,164)	(4,716)
Total fixed and endowment asset investments acquired	(31,414)	(26,190)
Receipts from sales of endowment assets	791	4,343
Receipts from sales of fixed asset investments	196	—
Receipt from sale of tangible asset	160	—
Deferred capital grants received	742	691
Endowments received (note 20)	90	201
	(29,435)	(20,955)

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 1999

31. Analysis of changes in consolidated financing during the year	1999 £000	1999 £000	1998 £000	1998 £000
<i>Balance at 1 August</i>		65,380		50,753
<i>Business Expansion Scheme</i>	(18,300)		1,067	
<i>New loans and increased debt</i>	17,053		14,848	
<i>Capital repayments</i>	(1,108)		(1,288)	
		<u>(2,355)</u>		<u>14,627</u>
<i>Balance at 31 July</i>		<u>63,025</u>		<u>65,380</u>

32. Analysis of changes in net debt	At 1 August 1998 £000	Cash flows £000	Other non cash changes £000	At 31 July 1999 £000
<i>Cash at bank and in hand</i>	7,402	7,030	—	14,432
<i>Short term deposits</i>	39,245	(8,003)	(18,169)	13,073
<i>Debt due within one year</i>	(19,760)	415	16,770	(2,575)
<i>Debt due after one year</i>	(45,620)	(16,229)	1,399	(60,450)
	<u>(18,733)</u>	<u>(16,787)</u>	<u>—</u>	<u>(35,520)</u>

33. Access funds	Consolidated and University	
	1999 £000	1998 £000
<i>Balance at 1 August</i>	3	10
<i>Net HEFCE grant</i>	<u>572</u>	<u>317</u>
	575	327
<i>Disbursed to students</i>	(574)	(324)
<i>Balance at 31 July</i>	<u>1</u>	<u>3</u>

Statistics

Financial indicators (University only)

1999 1998 1997 1996 1995

Source of income

<i>HEFCE grants plus home fees and support grants/Total income</i>	49.9%	50.1%	48.5%	48.7%	51.5%
<i>Overseas fees/Total income</i>	3.5%	3.9%	3.8%	3.5%	3.5%
<i>Research grants and contracts/Total income</i>	26.2%	26.7%	29.2%	28.2%	25.8%
<i>Other operating income/Total income</i>	19.3%	17.8%	17.1%	18.2%	17.7%
<i>Surplus or deficit before transfers/Total income</i>	0.2%	1.1%	0.4%	3.7%	2.5%

Long term solvency

<i>Days of total general funds and provisions to total expenditure</i>	121	127	123	122	125
<i>Ratio of long term liabilities to general funds</i>	121.2%	104.4%	118.7%	92.5%	94.5%
<i>As above, excluding technical adjustments</i>	101.2%	80.0%	55.2%	28.8%	44.6%

Short term solvency

<i>Net liquid assets to current liabilities</i>	0.6:1	0.8:1	0.8:1	0.7:1	1.2:1
<i>Days ratio of net liquid assets to total expenditure</i>	52	101	66	40	63
<i>Current assets/current liabilities</i>	1.26:1	1.31:1	1.53:1	1.64:1	2.36:1
<i>Ratio of movement in net liquid assets in year to same assets at start</i>	(45.1)%	62.5%	79.1%	(28.9)%	92.6%
<i>Days of total income represented by debtors</i>	27	29	32	25	32

Statistics

Income from sponsored research for the year ended 31 July 1999

From Research Councils	£000	From UK-based Charitable Bodies	£000
<i>Arts and Humanities Research Board</i>	130	<i>Action Research</i>	37
<i>Biotechnology and Biological Sciences Research Council</i>	1,603	<i>Air Charity</i>	32
<i>Council for the Central Laboratory of the Research Councils</i>	39	<i>Anna Douglas - Pennant Charitable Trust</i>	23
<i>Economic and Social Research Council</i>	718	<i>Arthritis and Rheumatics Council</i>	78
<i>Engineering and Physical Sciences Research Council (EPSRC)</i>	10,417	<i>Association for International Cancer Research</i>	64
<i>Medical Research Council</i>	1,433	<i>Birthright Trust</i>	25
<i>Natural Environment Research Council (NERC)</i>	3,732	<i>British Allergy Foundation</i>	25
<i>NERC Contracts</i>	64	<i>British Diabetic Association</i>	83
<i>Particle Physics and Astronomy Research Council</i>	633	<i>British Heart Foundation</i>	283
<i>Others less than £ 15,000</i>	51	<i>British Lung Foundation</i>	60
Total Research Councils	18,820	<i>British Skin Foundation</i>	26
		<i>Cancer Research Campaign</i>	531
		<i>Children Nationwide Medical Research Fund</i>	57
		<i>Colt Foundation</i>	16
		<i>Consumer Association</i>	17
		<i>Cystic Fibrosis Research Trust</i>	55
		<i>Doctor Hadwen Trust</i>	16
		<i>Epilepsy Research Foundation</i>	17
		<i>Gift of Sight</i>	35
		<i>International Centre for Under Utilised Crops</i>	39
		<i>International Spinal Research Trust</i>	23
		<i>Leukaemia Busters</i>	136
		<i>Leukaemia Research Fund</i>	228
		<i>Leverhulme Trust</i>	250
		<i>Lister Institute of Preventive Medicine</i>	67
		<i>Maurice Long Foundation</i>	74
		<i>Mental Health Foundation</i>	46
		<i>Multiple Sclerosis Society</i>	85
		<i>National Asthma Campaign</i>	177
		<i>National Kidney Research Fund</i>	32
		<i>National Meningitis Trust</i>	68
		<i>Nuffield Foundation</i>	27
		<i>Oxford Archaeological Unit</i>	16
		<i>Research into Ageing</i>	17
		<i>Royal College of Physicians</i>	46
		<i>RSPCA</i>	23
		<i>Sir Jules Thorn Charitable Trust</i>	46
		<i>Smith and Nephew Foundation</i>	17
		<i>Smith's Charity</i>	24
		<i>Solent Subfertility Trust</i>	82
		<i>Tenovus - Bournemouth</i>	20
		<i>Tenovus - Cardiff</i>	540
		<i>Trustees of the Peter Sager Wallenberg Charitable Trust</i>	48
		<i>Wellcome Trust</i>	1,828
		<i>Wessex Cancer Trust</i>	99
		<i>Wessex Medical Trust</i>	1,014
		<i>Others less than £ 15,000</i>	175
		Total UK-based Charitable Bodies	6,727

Statistics

Income from sponsored research for the year ended 31 July 1999 (continued)

From Other Sources	£000		£000
3M Healthcare	169	EverReady	65
ABB Kent Taylor	78	FAST 2000	60
Agrevo UK Ltd	40	Flavour & Extract Manufacturers Association	29
American Cyanamid Company	18	Ford Foundation	355
AMGEN Incorporated	39	Ford Motor Company	32
Astra Charmwood	75	Forest Enterprise	16
Astra Pharmaceuticals Ltd	213	Genetix Ltd	16
Autoliv Ltd	19	Genome Therapeutics Corporation	943
AWE Aldermaston	73	Glaxo Wellcome	237
AWE Hunting BRAE Ltd	71	Gloucestershire Health Authority	78
Bayer	156	Hampshire County Council	123
Bibra International	27	Health and Safety Executive	148
Bios	29	Health Effects Institute	57
Bournemouth Borough Council	38	Highways Agency	126
British Aerospace	29	Hitachi	36
British Biotech Pharmaceuticals Ltd	105	Hoechst AG (Germany)	31
British Nuclear Fuels PLC	23	Hoffmann La Roche	27
British Petroleum	39	Huber and Suhner UK Ltd	15
Callisto	84	Human Frontier Science Program	
Cambridge Combinatorial	39	Organisation (France)	19
Centre for Marine and Petroleum Technology	23	ICL	16
Chugai USA Inc	32	Innovex UK Ltd	25
City Technology Ltd	54	International Sweeteners Association	16
Cleanaway Ltd	134	Kingfisher Challenges Ltd	16
Cold Spring Harbour Laboratory	19	Kirra Marine Corporation	38
Covance	24	Korea Research Institute of Standards	
Defence Research Agency	1,102	and Science	26
Den Norske Stats Oljeselskap as -		Kuto Electronics Manufacturing Company Ltd	95
STATOIL (Norway)	93	Laboratory of the Government Chemist Ltd	26
Department of Health	1,961	Lectret Precision	27
Department of the Environment,		London Transport Buses	24
Transport and the Regions	304	Lorex Synthelabo Ltd	72
Department of Trade and Industry	119	Lucas Advanced Engineering Centre	15
Derecktor Gummell Inc	25	Marconi Space & Defence	61
Devonport Management Ltd	41	Maritime & Coastguard Agency	75
Dow Agrosciences	15	Merck Sharpe & Dohme Research Laboratories	90
Dow-Corning UK Ltd	59	Merz & Co (Germany)	15
Du Pont De Nemour	49	Ministry of Agriculture, Fisheries & Food	603
Dudley Metropolitan Borough Council	26	Ministry of Defence	296
Electrolux Floor Care	22	Ministry of Welfare (Hungary)	82
English Heritage	153	Monsanto Services International	18
Environment Agency	51	Multiple Myeloma Research Foundation	23
ERM Hong Kong Ltd	15	National Grid Company PLC	148
European Space Agency	101	National Institute of Health	99
European Space Operations Centre	21	National Power PLC	17
European Union	3,923	National Radiological Protection Board	17
Evans Grant Consulting Engineers	31	Novartis Pharmaceuticals UK Ltd	148

Statistics

Income from sponsored research for the year ended 31 July 1999 (continued)

From Other Sources	£000		£000
<i>New Forest District Council</i>	32	<i>Soutampton University Hospital Trust</i>	47
<i>NHS Management Executive</i>	31	<i>St Bartholomews Royal London School of</i>	
<i>Nissan Motor Company</i>	43	<i>Medicine and Dentistry</i>	22
<i>Nycomed Amersham PLC</i>	64	<i>St Saviours Hospital, Jersey</i>	19
<i>Office for National Statistics</i>	287	<i>Stallergenes</i>	43
<i>Organon Teknika N V (Belgium)</i>	71	<i>Stanley Thomas Johnson Foundation</i>	
<i>Olicon Inc (USA)</i>	25	<i>(Switzerland)</i>	25
<i>Overseas Development Administration</i>	256	<i>STC Submarine Systems</i>	19
<i>Oxagen Ltd</i>	33	<i>Sumitomo Chemical Co (Japan)</i>	38
<i>Oxford University Press Ltd</i>	18	<i>Teacher Training Agency</i>	23
<i>Pfizer Ltd</i>	181	<i>Team New Zealand</i>	105
<i>Pharmaco LSR</i>	79	<i>Thames Water</i>	48
<i>Pirelli - Italy</i>	442	<i>Thornycroft Maritime & Associates</i>	16
<i>Post Office</i>	22	<i>TNO Institute of Applied Physics</i>	31
<i>PRADA America's Cup</i>	18	<i>Toshiba Corporation</i>	33
<i>Pritel USA Inc</i>	16	<i>Transport Research Laboratory Ltd</i>	173
<i>Proctor & Gamble</i>	30	<i>TSL Technology Ltd</i>	24
<i>Queens University of Belfast</i>	16	<i>United States Air Force</i>	59
<i>Radiodetection Ltd</i>	18	<i>United States Navy</i>	227
<i>Reckitt & Colman Products Ltd</i>	81	<i>University of Leicester</i>	20
<i>Rhone Poulenc Rorer</i>	240	<i>University of Manchester</i>	24
<i>Roche Products Ltd</i>	82	<i>University of Oxford</i>	24
<i>Rohm & Haas Company</i>	17	<i>University of Reading</i>	81
<i>Rolls Royce Ltd</i>	53	<i>Virtual Centre of Excellence in Mobile &</i>	
<i>Rottm La Boratorium</i>	95	<i>Personal Communication</i>	67
<i>Royal Society</i>	475	<i>Virtual Pharmacoworld</i>	27
<i>Schering Plough Ltd</i>	187	<i>Wallingford Hydraulics Research Ltd</i>	22
<i>Scotia Pharmaceuticals Ltd</i>	23	<i>Waltham Centre for Pet Nutrition</i>	19
<i>SmithKline Beecham PLC</i>	114	<i>Water Research Centre</i>	101
<i>SNCF</i>	54	<i>Wessex Renal & Transport Unit</i>	30
<i>Snell & Wilcox</i>	16	<i>Zeneca Ltd</i>	105
<i>South Thames Regional Health Authority</i>	62	<i>Others less than £ 15,000</i>	1,154
<i>South & West RHA (Bristol)</i>	1,756	Total Other Sources	21,825



University
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